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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC 2409

INFO RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

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UNCLAS SECTION 01 OF 04 ASHGABAT 000298

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SUBJECT: TURKMENISTAN: SAMPLING OF SELECTED MONTHLY EARNINGS - NOT
A FAIR
DAY'S WAGE

REFS: A) 08 ASHGABAT 0562; B) 08 ASHGABAT 0546; C) 08 ASHGABAT
01234

¶1. (U) Sensitive but unclassified. Not for Internet publication.

¶2. (SBU) SUMMARY: In January 2009, the Turkmen government identified 2008 as a banner year in the economic health of the country, and increased local wages for its employees as well as other benefits by ten percent. The increase, however, appears to have done little to ease financial pressures. Turkmen citizens - even those in government - are still looking for additional ways to earn money in an effort to keep up with inflation, which they believe is continually worsening. Low wages appear to encourage people to pursue alternative, supplementary sources of income, using their available skills and resources, likely to the detriment of actual workplace productivity.
END
SUMMARY.

ECONOMY SAID TO BE BOOMING...

¶3. (SBU) During the Cabinet of Ministers' annual review session in January, former Deputy Chairman for Economy and Finance Geldimuradov reported on the results of Turkmenistan's social and economic development program in ¶2008.

According to Geldimuradov, the GDP in 2008 grew 10.5 percent, rising to 43.68 billion redenominated manat (USD 15.3 billion). Overall economic growth was

spurred by a reported 37.8 percent surge in industrial production over the course of the year and a 32.5 percent jump in construction activity, according to Geldimuradov's report. Both of these areas, he said, were boosted by a "significant" increase in investment activity in the country. Industrial production benefited from a reported tripling of foreign investment in the country's energy sector. The government claimed that total investment in 2008 amounted to USD 4.5 billion. Domestically, Turkmen budgetary revenues reportedly more than doubled in 2008, as compared to 2007.

...BUT GOVERNMENT WAGES AND BENEFITS STILL LOW

¶4. (SBU) In September 2008, President Berdimuhamedov instructed all state institutions and agencies to increase monthly salaries, allowances, pensions and scholarships by 10 percent beginning with January 2009. (NOTE: The government is still the largest employer here, from cabinet chairmen to pilots, street sweepers to school teachers. END NOTE.) With the newly-adopted salary scale, the average monthly salary of state employees is still just USD 190, and the maximum pension one could receive is USD 170.

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Elderly citizens who were employed for less than 25 years (20 for women) are eligible for a monthly pension of just USD 27. The minimum monthly pension for a retiree who worked the full 20 or 25 years, respectively, is USD 39, while the average pension that Turkmen government retirees earn is reportedly USD 116. Pensions for World War II veterans range from USD 139 to USD 185. In addition, the government provides a monthly social benefit of USD 19 for children, USD 50 for handicapped people and USD 77 for widows of war veterans. Local staffers report that the approximate monthly wages for a cross-section of state employees are as follows: junior office staff in the oil and gas ministry - USD 270, drill operators at oil and gas fields - up to USD 1200, senior accountants at Turkmen Airlines - USD 250, international flight attendants at Turkmen Airlines - up to USD 1000, junior and mid-level law enforcement and military personnel - USD 250-270, doctors - USD 210, and teachers - up to USD 350. (NOTE: The higher pay for drill operators and flight attendants may correspond to the number of hours people in these professions work - often in excess of 70 hours per week. END NOTE.)

EARNING A LIVING--OUTSIDE THE WORKPLACE

¶5. (SBU) Despite the government's 2008 wage increase, a significant number of government employees still seek out additional sources of income to cover daily expenses. For example, both unemployed and even state-employed car owners usually drive their vehicles around Ashgabat and other

cities, offering private taxi services. It is one of the most popular ways for Turkmen to earn extra cash to provide for their families. Others seek to earn extra money by making use of their skills, qualifications or even posts. For example, teachers usually offer extra tutoring for pupils after regular school hours, while doctors unofficially receive patients in the hospitals where they work, directing patients willing to pay for better service to bypass the cash desk. Some people run small commercial shops and sell consumer goods and food. In addition, many Turkmen women make and sell baked goods, canned fruits and vegetables, and embroidery, while men repair and trade new or used cars. Earnings from these unofficial activities can make a big difference in the financial well-being of families, often doubling or even tripling a person's monthly wages.

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SUBSIDIES ARE DISINTEGRATING

¶6. (SBU) "New money - new life!" was the official slogan the government that appeared on announcements introducing the redenominated manat in January 2009. Local staff report that the redenomination had a dark side when it spurred local traders to inflate their prices for food and clothing after the first of the year. In 2007 and 2008, the government had already significantly cut away many subsidies on which citizens relied: the price of gasoline rose almost 800 percent, airline ticket prices rose 100 percent, and even the cost of bus tickets rose 200 percent (Ref A). Prices for basic staples have continued to rise, climbing 30 percent in the course of 2008 for bread, eggs, and beef at outlets not directly controlled by the government (Refs B and C). The difference between private vendors and state subsidized outlets is most visible when it comes to bread. Lines form at state-owned stores for price-controlled bread sold for 7 cents a loaf, while no lines are found at the many private vendors selling the same bread at three to four times that price.

RISING PRICES, BUT LIMITED CONTROL

¶7. (SBU) The practice of reselling or selling at above the "official" price had been discouraged in previous years, but locals report that there seems to be little interest in controlling such activity now. One Turkmen described the old system: "The police would come into the bazaar, ask how much something was, say it was "too much" and demand that the vendor sell it for less. That was our price control system." These days, everyone ignores the official prices posted at the entrances to bazaars, and the authorities only rarely come in demanding that vendors keep prices down, according to local staff. In

January 2009, the government reported that inflation had been 8.9 percent in 2008. (NOTE: The CIA World Factbook estimated it to have been about 18 percent in 2008. END NOTE) Turkmen living in Ashgabat, at least, are skeptical of the official inflation figure, and seem to believe it is much higher, and on the rise.

¶8. (SBU) COMMENT: Monthly government wages are low across the board. This appears to have played a key role in promoting the development of alternate ways of earning income where people use their skills and resources outside their official workplace, to the detriment of actual workplace productivity. There is also little doubt that low pay and the alternate

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income-earning system have both contributed to the culture of corruption that is so endemic here, because corruption provides another opportunity to fill in financial gaps. Any effort to improve institutional capacity and functionality, or to curb corruption, for that matter, would need to include strategies for raising wage levels and keeping productivity focused on the workplace, rather than on the "other job." END COMMENT.

MILES